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TAGS: [EAID](#) [PREL](#) [PGOV](#) [KIRF](#) [EG](#)
SUBJECT: COOPERATION MINISTER ABUL NAGA ON FY 09 ESF;
ALLEGES RELIGIOUS DISCRIMINATION

Sensitive but unclassified. Please protect accordingly.

¶1. (SBU) On September 2, Ambassador met with Minister for International Cooperation Fayza Abul Naga, accompanied by Acting USAID Mission Director John Groarke and Econcouns (notetaker). The meeting was at Abul Naga's request, and focused on the recent notification by the USG to the GOE of the Administration's FY 09 ESF request and alleged USAID directed funding of Coptic organizations in Egypt.

¶2. (SBU) Minister Abul Naga opened by reviewing GOE concerns about the ESF program, both in terms of "form and substance" of the notification of proposed levels for FY 09 and after. She repeated her comments to the Ambassador of last week, that the GOE had received no response to its proposal for the establishment of an endowment, presented in Washington by Ambassador Fahmy in June. She said that she understands that Ambassador Fahmy will call on A/S Welch in Washington on September 4, and said that he would make a proposal for an "endowment" that would set up a mechanism for "\$200-250 million" in ESF to cover repayment of non-PL 480 debt. Abul Naga said that debt service on this debt is about \$150 million per year, and it should be completely paid off by ¶2021. (The GOE has evidently agreed to leave the PL 480 debt out of the discussion, in part because their understanding that payments go back into a fund for additional PL 480 programming, and also because proposed ESF levels will not cover the \$280m in annual PL 480 debt service.)

¶3. (SBU) Abul Naga again noted that the GOE would welcome a delegation to Egypt to discuss the economic assistance program, and would also be able to send a delegation to Washington. She urged the USG to consider this because there are currently some "very important programs" now being implemented in Egypt including support for the administration of justice, training for judges and democracy, as well as health, education, and economic reforms. These, she observed, could not all continue under the reduced funding levels, and the two governments should "agree jointly on what should be done."

¶4. (SBU) Abul Naga, citing an August 14 Inter Press Service story, accused the USG, through USAID, of providing directed funding to Coptic NGOs without notifying the GOE. She pointed in particular to a statement in the IPS report that a Congressional report accompanying the House Foreign Operations bill for 2008 "explicitly called for funding politically active Christian NGOs." This, she said was "extremely, extremely" sensitive, and was an "absolute red line." She noted that under the jointly agreed-upon economic assistance program, the GOE had never consented to USAID funding of Coptic NGOs and that the USG had not informed the GOE that such funding was being provided. According to Abul Naga, "credible" reports of USG funding had come to the GOE not just from the press but from governors, and civil society

groups in the governorates. She cited one specific example of an alleged \$4 million grant to a Coptic organization to carry out media monitoring. The minister insisted that these grants were taking place outside of the established "direct grants" program under USAID's Democracy and Governance funding, and that the GOE had not been notified of these alleged grants.

15. (SBU) The Ambassador and USAID Acting Director responded that USAID does not direct funding to organizations based on their religious affiliation, and that the USG has no policy of directing funding to Coptic NGOs. USAID's policy is to fund groups whose proposals merit it irregardless of their religious affiliations. Direct funding to NGOs, the USAID Acting Director reminded the minister, took place only under USAID's Democracy and Governance program. The GOE, he said, is notified of all the grants made under this program. He agreed that some Coptic-run NGOs were included in this program, and noted that USAID also has important health, education and other programs in areas where there are large Coptic populations. In response, Abul Naga asked that USAID confirm that facts about the alleged \$4m media grant, and reiterated that this is a "national security" issue for Egypt. She noted that over the summer, she had received formal questions from the Parliament's National Security Committee on the subject, and predicted that discussion of the issue would continue once Parliament returned to session this fall.

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